COMPTEL

The Communications Association of Choice

June 1, 2010

By Electronic Filing

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 Twelfth Street, SW
Washington, DC 20554

Re: *Ex Parte Notice;* WC Docket No. 05-25 and RM-10593

Dear Ms. Dortch:

The Commission should not delay taking immediate action to prevent AT&T from imposing unjust and unreasonable rate increases for special access services, in areas where Phase II pricing flexibility has been granted, upon the expiration of its merger commitments on June 30, 2010. As COMPTEL explains below, our analysis of AT&T's rates in these areas – further buttressed by an analysis of Verizon's rates as well – conclusively demonstrates that the Commission's Phase II pricing rules are not being used to bring prices to more competitive, cost-based levels, but are rather merely providing carriers that have been granted relief unreasonable profits.

Since the rules for Phase II pricing flexibility are clearly flawed, the Commission should promptly issue a decision in the pending rulemaking proceeding in the above-referenced docket that repeals its rules associated with Phase II pricing flexibility (e.g., 47 CFR §69.709 (c); §69.711(c); and § 69.727), consequently requiring carriers currently granted Phase II pricing flexibility to conform their tariffs accordingly, thereby restoring the rate levels that would have been in place had the Commission never adopted the Phase II pricing flexibility rules. These are certainly not the only aspect of the special access rules that need revision. These rules are, however, the ones for which immediate action is most needed pending comprehensive reform.

Contrary to AT&T's claims, the Commission does not have to prescribe interim rates pursuant to Section 205 of the Act. The Commission has had a rulemaking proceeding pending for over five years to assess whether it should "maintain, modify or repeal" the Commission's pricing flexibility rules for special access services. In the 2005 NPRM, the Commission specifically stated:

> As part of our review of the pricing flexibility rules, which were adopted, in part, based on the Commission's predictive judgment, we will examine whether the available marketplace data support maintaining, modifying, or repealing these rules. We note that we are committed to re-examine periodically rules that were adopted on the basis of predictive judgments to evaluate whether those judgments are, in fact, corroborated by marketplace developments.[1]

Additionally, in its 2009 Public Notice, the Commission sought comment on whether the "pricing flexibility triggers, which are based on collocation by competitive carriers, [are] an accurate proxy for the kind of sunk investment by competitors that is *sufficient to constrain incumbent LEC prices,* including for both channel terminations and inter-office facilities."[2] Thus, it is certainly within its authority for the Commission, through this rulemaking proceeding, to repeal certain rules regarding the pricing of special access, in doing so requiring carriers to conform their tariffs accordingly.

The Commission does not have to simultaneously address each and every issue related to the ILEC pricing of special access services – such as whether price cap rules themselves permit rates that are unjust and unreasonable and whether certain terms and conditions impede competition – to take the <u>first step</u> in special access reform by promptly acting on the overwhelming evidence in the record before it (including the evidence hereby submitted by COMPTEL) to determine that the triggers it had established, and consequently the relief they provide, are flawed and should be repealed.

ILECs Have Used Pricing Flexibility to Increase Rates

The attached charts clearly demonstrate that the current triggers do not provide an accurate signal of market conditions that constrain special access prices and are therefore not an appropriate standard for determining when pricing flexibility is warranted. In Attachment A, COMPTEL provides sample comparisons of the price cap rates to price flex rates for zone 1 (the densest area and therefore presumably the lowest-cost/most-competitive areas) across the AT&T and Verizon regions. *In not one area was pricing flexibility used to reduce prices or align those prices to cost.* Rather, pricing flexibility was (ab)used for one purpose – and one purpose alone – to increase prices.

Of immediate concern are the imminent increases pending for AT&T as it re-institutes unreasonably high rates that were temporarily rolled-back by its merger commitments. As can be seen in Attachment A, AT&T is scheduled to implement numerous double-digit rate increases on July 1, 2010.[3] Although Verizon is not subject to a similar merger commitment – and therefore will not automatically increase its special access rates in a month - our analysis

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[1] Order and Notice of Proposed Rulemaking, WC Docket No. 05-25 and RM-10593, FCC 05-18, ¶ 5 (2005)("2005 NPRM")

[2] FCC Public Notice, WC Docket No. 05-25, RM-10593, DA 09-2388, p. 2, rel. Nov. 5, 2009

[3] *See* Attachment A, pp. 1 - 4.

indicates similar above-cost premiums are embedded in Verizon's Phase II price flexibility rates.[4]

This is simply not the type of pricing behavior that the Commission should expect if its pricing flexibility rules reasonably tracked the existence of price-constraining competition. If competition were sufficient to protect customers, then prices should be in decline, with the largest declines in the markets with the greatest competition. The pattern of price increases – coupled with the fact that these carriers do not use the geographic flexibility granted by the Commission's price cap rules to craft more market-specific prices – demonstrate that flexibility is being used to exploit market power, not respond to market pressure.

For instance, these carriers cannot maintain that their price cap rates are below cost, or that price cap rules impede their ability to respond in geographic pockets where competition may exist. As to the first point, Attachment B provides a price/cost ratio calculation for sample states comparing the monthly price cap rate to a similar UNE rate (which includes cost plus profit) and shows overwhelmingly that the price cap rates exceed costs – including, in one instance, the rate being 9 times the cost.[5] Because the price flex rates are higher still, a similar ratio using those prices would produce an even higher price/cost ratio (i.e., an even more unjust and unreasonable rate).

As the Commission's own broadband team recognizes, purchasers of special access can not merely build their own facilities in response to high ILEC rates, as cost-per-unit for fiber builds is highly sensitive to scale.[6] In other words, not only are these carriers prices above cost, but they are likely to remain so because entrants will not achieve the scale to seriously challenge those rates. If this fact is obvious to the Commission's broadband team, it must surely be known to the ILEC management teams who can comfortably conclude that this strategy of above-cost pricing will not be undercut by widespread facilities-duplication.

AT&T and Verizon's Rate Structure Demonstrates Lack of Responsiveness to Competition

Significantly, even without Phase II flexibility, the Commission's rules provide the incumbents with flexibility to respond to competition in those geographic pockets where competition is the greatest. And, just as significantly, AT&T and Verizon have apparently not bothered to use this flexibility to better align their prices with competition and/or cost conditions. Specifically, FCC rules permit each price-cap ILEC to establish density pricing zones independently for each study area (i.e., state).

> Price cap incumbent local exchange carriers may establish only one set of density pricing zones within each study area, to be used

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[4] *See* Attachment A, pp. 5-10 and Attachment B.

[5] *See* Attachment B, DS1 Local Channel comparison for Ameritech Illinois.

[6] Federal Communications Commission "The Broadband Availability Gap" OBI Technical Paper No. 1, Chapter 4, p. 121, April 2010; http://download.broadband.gov/plan/the-broadband-availability-gap-obi-technical-paper-no-1.pdf

> for the pricing of all services within the trunking basket for which zone density pricing is permitted.[7]

Consequently, under the Commission's existing price cap rules, these ILECs could tailor special access prices to competitive market conditions by implementing zones in each state that corresponded to the level of competition in that zone, within that state.[8] Rather than use this flexibility, however, these carriers generally charge the same zone rates in every state in their historic RBOC territories, without regard to any differences in competitive conditions.[9]

For instance: SWBT has three zones, but the zone prices are identical whether the zone is in Missouri, Arkansas, Kansas, Oklahoma or Texas. The variation in the BellSouth region is even more limited, with BellSouth's local channel rates the same in all zones and all states. In contrast, Ameritech has implemented different zone rates in Illinois, but then uses the same zone rates for Ohio and Michigan, and then the same zone rates for Indiana and Wisconsin. For its part, Verizon applies the same zone rates in each of its states covered by its Tariff No. 1 (which applies in Pennsylvania, New Jersey, Delaware, Maryland, Virginia, and Washington DC.[10]

The evidence shows that AT&T and Verizon are not using the flexibility granted by the existing price cap rules to establish state-specific zone prices that would reflect competitive conditions in each state; yet, by having different zone prices by region, these carriers are also not pricing in a way that would suggest competition is the same for each zone no matter what state it is located. Because these ILECs do not structure their prices to reflect competitive conditions that must *vary* by market, their own pricing demonstrates that they are not *constrained* by competition in those markets.

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[7] C.F.R. § 69.123(b)(2).

[8] Pricing in each is limited as to the permitted increase, but there is no price floor that would limit price reductions in response to competitive conditions. C.F.R. § 61.47(f): "A local exchange carrier subject to price cap regulation may establish density zones pursuant to the requirements set forth in § 69.123 of this chapter, for any service in the trunking and special access baskets, other than the interconnection charge set forth in § 69.124 of this chapter. The pricing flexibility of each zone shall be limited to an annual increase of 15 percent, relative to the percentage change in the PCI for that basket, measured from the levels in effect on the last day of the preceding tariff year. There shall be no lower pricing band for any density zone."

[9] The RBOCs might claim that competition is uniform throughout zone 1 offices in each region – even though the size of the office in each state differs, as well as the type of market in which it resides. It is unlikely that the level of competition in its zone 1 office in its least metropolitan state (for instance, Mississippi) is comparable to conditions in its most metropolitan market (Miami, for instance).

[10] Verizon's FCC Tariff No. 11 (applicable to New York, Massachusetts, Rhode Island and parts of Connecticut) contain some state-specific pricing, but also reflects substantial uniformity for many rate elements. For example, the tariff applies the same rates for interoffice facilities in each state.

Commission Action is Needed Now

The Commission cannot delay taking action, as special access rates have a critical impact on both the economy and future innovation. Further delay in rectifying the pricing of special access not only hinders competitors' ability to expand and offer consumers innovative service; it also prolongs a huge expense to all businesses, particularly small business which historically drive economic recovery. According to one cost management group, telecommunications has become one of the top five expenses for corporations today, with (on average) Fortune 500 companies spending over $100 million annually on telecom services.[11] According to a survey sponsored by the Small Business Association Office of Advocacy, the cost burden of telecommunications services is much higher for small businesses than large businesses, as much as four times more per employee.[12] The money these companies spend on telecommunications expenses limits the money they can spend on jobs and product development. In contrast, despite the windfall from special access services, collectively, AT&T, Verizon and Qwest have shed eighty-five thousand employees over the past four years.[13]

Comparing first quarter 2010 to first quarter 2009, Verizon has experienced a 12.3 percent increase in wireline consumer ARPU; its overall cash flow from operations was up 7.5 percent; and it experienced a 25.6 percent year-over-year increase in overall free cash flow (non-GAAP; cash flow from operations less capital expenditures.)[14] Yet instead of creating jobs and expanding its network, Verizon has reduced headcount by twenty-five thousand in two years and thirty-nine thousand over the past four[15] and its overall capital expenditure was down 6.8 percent in first quarter 2010 from first quarter 2009.[16] Indeed, one analyst report states that it had "estimated that Verizon would expand its FiOS footprint 20% more slowly in 2010 than it had in 2009. Then they announced [first quarter] earnings and scaled back even from there, taking all timetables off the table."[17]

AT&T touts that its "2009 cash from operations and free cash flow were the company's best ever annual totals."[18] Free cash flow was up 28.4 percent versus 2008.[19] AT&T's 2010

[11] http://www.costmanagementgroup.com/telecom.php

[12] Stephen B. Pociask, TeleNomic Research, LLC (on behalf of the SBA Office of Advocacy) "A Survey of Small Businesses' Telecommunications Use and Spending" Research Summary, No. 236, March 2004.

[13] Berstein Research, U.S. Telecommunications, "Weekend Media Blast: The Process of Elimination," p. 1 (Apr. 30, 2010) ("Berstein Report").

[14] "Verizon Reports Continued Growth in Cash Flow in 1Q; Solid FiOS, Wireless Growth in Customers and Revenues" Fierce Wireless, pp. 2-4 (posted Apr. 22, 2020)("Verizon Report").

[15] Berstein Report at 1.

[16] Verizon Report at 4.

[17] *Id* at 1-2.

[18] "AT&T Reports Fourth-Quarter Earnings Growth with a 2.7 Million Net Gain in Wireless Subscribers, Continued Strong Growth in IP-Based Revenues, Record Full-Year Cash Flow,

first-quarter consolidated revenues, operating income and operating income margin were up, while their operating expenses were down.[20] Yet AT&T eliminated twenty thousand jobs in 2009[21] and their capital expenditures were down by $3 billion from 2008.[22]

The record in the above-reference proceeding fully justifies the Commission taking the immediate action discussed above, as well as comprehensive reform. COMPTEL urges to Commission to act expeditiously to prevent further harm to special access customer and to promote economic growth.

Please feel free to the contact me if you have any questions.

Sincerely,
/s/ Karen Reidy
Vice President, Regulatory Affairs

cc: Paul de Sa
Sharon Gillett
Nicholas Alexander

AT&T-News Room, Jan. 28, 2010 ("AT&T Jan. 2010 News-Report"). Available at http://www.att.com/gen/press-room?pid=4800&cdvn=news&newsarticleid=30429.

[19] *Id.*

[20] 1st Quarter 2010, Investor Briefing, No. 268 Apr. 21, 2010 at 2 ("1st Quarter Investor Briefing").

[21] Berstein Report at 1.

[22] AT&T Jan. 2010 New Report.

Comparison of Pricing Flexibility Rates to Price Cap Rates[1]

BellSouth Telecommunications

	Price Cap Rates	July 1 Flex	July 1 Increase		Price Cap Rates	July 1 Flex	July 1 Increase
DS1 Local Loop				DS3 Local Loop			
Monthly	$168[2]	$168[3]	0.0%	Monthly	$2,290[4]	$2,525[5]	10.3%
2 Year	$124[2]	$126[3]	1.6%	3 Year	$1,504[6]	$1,920[7]	27.6%
5 Year	$120[2]	$123[3]	2.5%	5 Year	$1,360[6]	$1,750[7]	28.7%
				7 Year	$1,215[6]	$1,580[7]	30.0%

1 Common assumptions include: (1) interoffice mileage assumed to be 10 miles, (2) if relevant to tariff application, loop assumed to be 1 mile, (3) DS3 Channel Termination is electrical interface, (4) comparisons are for Special Access Pricing Zone 1 only, (5) the price comparison for an EEL is the sum of the prices for the loop and transport components, and (6) non-recurring charges are not considered.

2 BellSouth Telecommunications Inc. Tariff F.C.C No. 1, 3rd Revised Page 23-80.

3 BellSouth Telecommunications Inc. Tariff F.C.C No. 1, Original Page 23-288.1.

4 BellSouth Telecommunications Inc. Tariff F.C.C No. 1, 3rd Revised Page 23-83 (first ½ mile), 2nd Revised Page 23-114 (additional ½ mile), and 1st Revised Page 23-93 (Central Office Channel Interface and Customer Channel Interface).

5 BellSouth Telecommunications Inc. Tariff F.C.C No. 1, Original Page 23-288.2 (first ½ mile), Original Page 23-288.4 (additional ½ mile), and 1st Revised Page 23-93 (Central Office Channel Interface and Customer Channel Interface).

6 BellSouth Telecommunications Inc. Tariff F.C.C No. 1, 2nd Revised Page 23-117 (first ½ mile), 2nd Revised Page 23-147 (additional ½ mile), and Original Page 23-126 (Central Office Channel Interface and Customer Channel Interface).

7 BellSouth Telecommunications Inc. Tariff F.C.C No. 1, Original Page 23-288.6 (first ½ mile), Original Page 23-288.15 (additional ½ mile), and Original Page 23-126 (Central Office Channel Interface and Customer Channel Interface).

BellSouth Telecommunications - Continued

	Price Cap Rates	July 1 Flex	July 1 Increase
DS1 Interoffice			
Monthly	$235[8]	$265[9]	12.8%
2 Year	$119[8]	$170[9]	42.9%
5 Year	$104[8]	$145[9]	39.4%
DS1 EEL			
Monthly	$403	$433	7.4%
2 Year	$243	$296	21.8%
5 Year	$224	$268	19.6%

	Price Cap Rates	July 1 Flex	July 1 Increase
DS3 Interoffice Channel			
Monthly	$2,400[10]	$2,900[11]	20.8%
3 Year	$1,424[12]	$1,825[13]	28.2%
5 Year	$1,169[12]	$1,525[13]	30.5%
7 Year	$956[12]	$1,275[13]	33.3%
DS3 EEL			
Monthly	$4,690	$5,425	15.7%
2 Year	$2,928	$3,745	27.9%
5 Year	$2,529	$3,275	29.5%
7 Year	$2,172	$2,855	31.5%

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8 BellSouth Telecommunications Inc. Tariff F.C.C No. 1, 3rd Revised Page 23-163 (fixed) and 2nd Revised Page 23-165 (per mile).

9 BellSouth Telecommunications Inc. Tariff F.C.C No. 1, Original Page 23-288.23 (fixed) and Original Page 23-288.25 (per mile).

10 BellSouth Telecommunications Inc. Tariff F.C.C No. 1, 3rd Revised Page 23-170 (fixed) and 3rd Revised Page 23-171 (per mile).

11 BellSouth Telecommunications Inc. Tariff F.C.C No. 1, Original Page 23-288.30 (fixed) and Original Page 23-288.31 (per mile).

12 BellSouth Telecommunications Inc. Tariff F.C.C No. 1, 2nd Revised Page 23-226 (fixed) and 2nd Revised Page 23-227 (per mile).

13 BellSouth Telecommunications Inc. Tariff F.C.C No. 1, Original Page 23-288.39 (fixed) and Original Page 23-288.40 (per mile).

SBC Telephone Company

	Price Cap Rates	July 1 Flex	July 1 Increase		Price Cap Rates	July 1 Flex	July 1 Increase
DS1 Local Loop				DS3 Local Loop			
Monthly	$195[14]	$215[15]	10.3%	Monthly	$1,900[16]	$1,950[17]	2.6%
3 Year	$112[18]	$112[19]	0.0%	3 Year	$1,150[16]	$1,250[17]	8.7%
5 Year	$92[18]	$92[19]	0.0%	5 Year	$800[16]	$975[17]	21.9%
DS1 Interoffice				DS3 Interoffice			
Monthly	$219[20]	$235[21]	7.3%	Monthly	$1,725[22]	$1,725[23]	0.0%
3 Year	$169[18]	$169[19]	0.0%	3 Year	$1,105[22]	$1,250[23]	13.1%
5 Year	$134[18]	$134[19]	0.0%	5 Year	$755[22]	$900[23]	19.2%
DS1 EEL				DS3 EEL			
Monthly	$414	$450	8.7%	Monthly	$3,625	$3,675	1.4%
3 Year	$281	$281	0.0%	3 Year	$2,255	$2,500	10.9%
5 Year	$226	$226	0.0%	5 Year	$1,555	$1,875	20.6%

[14] Southwestern Bell Telephone Company Tariff F.C.C. No. 73, 5th Revised Page 39-66.

[15] Southwestern Bell Telephone Company Tariff F.C.C. No. 73, Original Page 39-124.3.

[16] Southwestern Bell Telephone Company Tariff F.C.C. No. 73, 4th Revised Page 39-144 to 39-147.

[17] Southwestern Bell Telephone Company Tariff F.C.C. No. 73, Original Page 39-202.1 to 39-202.4.

[18] Southwestern Bell Telephone Company Tariff F.C.C. No. 73, 5th Revised Page 39-124-1.

[19] Southwestern Bell Telephone Company Tariff F.C.C. No. 73, Original Page 39-124.13.

[20] Southwestern Bell Telephone Company Tariff F.C.C. No. 73, 6th Revised Page 39-67.

[21] Southwestern Bell Telephone Company Tariff F.C.C. No. 73, 6th Revised Page 39-124.4.

[22] Southwestern Bell Telephone Company Tariff F.C.C. No. 73, 4th Revised Page 39-154 to 39-155.

[23] Southwestern Bell Telephone Company Tariff F.C.C. No. 73, Original Page 39-202.9 to 39-202.10.

Ameritech Illinois

	Price Cap Rates	July 1 Flex	July 1 Increase		Price Cap Rates	July 1 Flex	July 1 Increase
DS1 Local Loop[24]				DS3 Local Loop			
Monthly	$250[25]	$255[26]	2.0%	1 Year	$2,200[27]	$2,370[28]	7.7%
3 Year	$102[25]	$103[26]	1.0%	3 Year	$1,045[27]	$1,200[28]	14.8%
5 Year	$90[25]	$93[26]	3.3%	5 Year	$850[27]	$960[28]	12.9%
DS1 Interoffice[24]				DS3 Interoffice			
Monthly	$464[29]	$464[30]	0.0%	1 Year	$1,600[31]	$1,686[32]	5.4%
3 Year	$203[29]	$228[30]	12.7%	3 Year	$1,050[31]	$1,116[32]	6.2%
5 Year	$152[29]	$185[30]	21.4%	5 Year	$677[31]	$816[32]	20.5%
DS1 EEL				DS3 EEL			
Monthly	$714	$719	0.7%	1 Year	$3,800	$4,056	6.7%
3 Year	$305	$331	8.8%	3 Year	$2,095	$2,316	10.5%
5 Year	$242	$278	14.7%	5 Year	$1,527	$1,776	16.3%

24 Ameritech offers a Discount Commitment Program for DS1s with rates higher than those shown for a three and five-year term. The rates in the table above for three and five-year contracts are drawn from Ameritech's Optional Payment Plan.

25 Ameritech Operating Companies Tariff F.C.C. No. 2, 1st Revised Page 755.1.

26 Ameritech Operating Companies Tariff F.C.C. No. 2, Original Page 790.1.

27 Ameritech Operating Companies Tariff F.C.C. No. 2, 4th Revised Page 779.

28 Ameritech Operating Companies Tariff F.C.C. No. 2, Original Page 790.5.

29 Ameritech Operating Companies Tariff F.C.C. No. 2, 3rd Revised Page 757 (fixed) and 759 (per mile).

30 Ameritech Operating Companies Tariff F.C.C. No. 2, Original Page 790.3 (fixed) and 790.4 (per mile).

31 Ameritech Operating Companies Tariff F.C.C. No. 2, 3rd Revised Page 783 (fixed) and 4th Revised Page 784 (per mile).

32 Ameritech Operating Companies Tariff F.C.C. No. 2, Original Page 790.6 (fixed) and 4th Original Page 790.7 (per mile).

Verizon Telephone Companies – Verizon South[33]

	Price Cap Rates	Price Flex	Premium[34]
DS1 Local Loop			
Monthly	\$197[35]	\$226[35]	14.5%
2 Year	\$167[39]	\$192[39]	14.5%
5 Year	\$128[40]	\$147	14.5%
DS1 Interoffice			
Monthly	\$238[41]	\$329[41]	37.9%
2 Year	\$206[42]	\$279[42]	35.8%
5 Year	\$136[43]	\$176[43]	28.9%

	Price Cap Rates	Price Flex	Premium[34]
DS3 Local Loop			
Monthly[36]	\$2,310[37]	\$3,025[38]	31.0%
DS3 Interoffice			
Monthly	\$2,019[41]	\$2,375[41]	17.6%

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33 The rates shown on this page for "Verizon – South" apply to Verizon Telephone Company Services in the states of Pennsylvania, New Jersey, Delaware, Maryland, Virginia, Washington, D.C. and, prior to its sale to Frontier, West Virginia.

34 Verizon is not subject to a merger condition removing the premium embedded in rates subject to pricing flexibility and, as such, will not implement an increase on July 1, 2010.

35 Verizon Telephone Companies Tariff F.C.C. No. 1, 7th Revised Page 7-250.

36 Verizon term discounts are combined with a volume commitment and cannot be separately determined.

37 Verizon Telephone Companies Tariff F.C.C. No. 1, 5th Revised Page 7-251.

38 Verizon Telephone Companies Tariff F.C.C. No. 1, 1st Revised Page 7-253.1

39 Verizon Telephone Companies Tariff F.C.C. No. 1, 8th Revised Page 7-274.

40 Verizon Telephone Companies Tariff F.C.C. No. 1, 8th Revised Page 7-278.

41 Verizon Telephone Companies Tariff F.C.C. No. 1, 7th Revised Page 7-264.

42 Verizon Telephone Companies Tariff F.C.C. No. 1, 3rd Revised Page 7-274.1.

43 Verizon Telephone Companies Tariff F.C.C. No. 1, 8th Revised Page 7-278.1.

Verizon Telephone Companies – Verizon South - Continued

DS1 EEL	Price Cap Rates	Price Flex	Premium[34]
Monthly	$435	$554	27.3%
2 Year	$373	$471	26.3%
5 Year	$264	$322	21.9%

DS3 EEL	Price Cap Rates	Price Flex	Premium[34]
Monthly	$4,329	$5,400	24.7%

Verizon Telephone Companies – Verizon North[44] - Massachusetts

	Price Cap Rates	Price Flex	Premium[34]		Price Cap Rates	Price Flex	Premium[34]
DS1 Local Loop				DS3 Local Loop			
Monthly	$197[45]	$226[46]	14.5%	Monthly	$2,310[47]	$2,541[48]	10.0%
2 Year[49]	$167	$192	14.5%	2 Year[50]	$2,195	$2,414	10.0%
5 Year[49]	$128	$147	14.5%	5 Year[50]	$1,502	$1,652	10.0%

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44 Verizon Telephone Companies Tariff F.C.C. No. 11. Verizon F.C.C Tariff No. 11 applies to Verizon Telephone Company Services in the states of New York, Massachusetts, Connecticut (where applicable), and Rhode Island.

45 Verizon Telephone Companies Tariff F.C.C. No. 11, 6th Revised Page 31-122.

46 Verizon Telephone Companies Tariff F.C.C. No. 11, 4th Revised Page 30-55.

47 Verizon Telephone Companies Tariff F.C.C. No. 11, 1st Revised Page 31-123.

48 Verizon Telephone Companies Tariff F.C.C. No. 11, 1st Revised Page 30-57.

49 Verizon North offers a number of discount programs. Term discounts shown here drawn from Service Discount Plan, Verizon Telephone Companies Tariff F.C.C. No. 11, 3rd Revised Page 7-274 (New England) and 2nd Revised Page 7-284.1 (New York). Discounts are applied to monthly rates.

50 Verizon North offers a number of discount programs. Term discounts shown here drawn from Service Discount Plan, Verizon Telephone Companies Tariff F.C.C. No. 11, 1st Revised Page 7-273 (New England) and 1st Revised Page 7-283 (New York). Discounts are applied to monthly rates.

Verizon Telephone Companies – Verizon North[44] – Massachusetts -Continued

	Price Cap Rates	Price Flex	Premium[34]		Price Cap Rates	Price Flex	Premium[34]
DS1 Interoffice[51]				DS3 Interoffice[51]			
Monthly	$239[52]	$329[53]	37.6%	Monthly	$2,019[54]	$2,375[55]	17.6%
2 Year[49]	$203	$279	37.6%	2 Year[50]	$1,918	$2,257	17.6%
5 Year[49]	$155	$214	37.6%	5 Year[50]	$1,312	$1,544	17.6%
DS1 EEL				DS3 EEL			
Monthly	$436	$554	27.2%	Monthly	$4,329	$4,916	13.6%
2 Year	$370	$471	27.2%	2 Year	$4,113	$4,670	13.6%
5 Year	$283	$360	27.2%	5 Year	$2,814	$3,196	13.6%

51 Although rates for channel terms do vary among some of the states covered by F.C.C. No. 11 (Verizon – North), the rates for interoffice facilities do not.

52 Verizon Telephone Companies Tariff F.C.C. No. 11, 4th Revised Page 31-147.

53 Verizon Telephone Companies Tariff F.C.C. No. 11, 1st Revised Page 30-113.

54 Verizon Telephone Companies Tariff F.C.C. No. 11, 1st Revised Page 31-149.

55 Verizon Telephone Companies Tariff F.C.C. No. 11, 2nd Revised Page 30-116.

Verizon Telephone Companies – Verizon North[44] – New York and Connecticut

	Price Cap Rates	Price Flex	Premium[34]		Price Cap Rates	Price Flex	Premium[34]
DS1 Local Loop				DS3 Local Loop			
Monthly	$177[45]	$194[46]	9.5%	Monthly	$2,310[47]	$2,541[48]	10.0%
2 Year[49]	$151	$165	9.5%	2 Year[50]	$2,195	$2,414	10.0%
5 Year[49]	$115	$126	9.5%	5 Year[50]	$1,502	$1,652	10.0%
DS1 Interoffice[51]				DS3 Interoffice[51]			
Monthly	$239[52]	$329[56]	37.6%	Monthly	$2,019[57]	$2,375[55]	17.6%
2 Year[49]	$203	$279	37.6%	2 Year[50]	$1,918	$2,257	17.6%
5 Year[49]	$155	$214	37.6%	5 Year[50]	$1,312	$1,544	17.6%
DS1 EEL				DS3 EEL			
Monthly	$416	$523	25.7%	Monthly	$4,329	$4,916	13.6%
2 Year	$354	$444	25.7%	2 Year	$4,113	$4,670	13.6%
5 Year	$270	$340	25.7%	5 Year	$2,814	$3,196	13.6%

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Verizon Telephone Companies – Verizon North[44] – Rhode Island

	Price Cap Rates	Price Flex	Premium[34]		Price Cap Rates	Price Flex	Premium[34]
DS1 Local Loop				DS3 Local Loop			
Monthly	$231[45]	$293[46]	26.6%	Monthly	$2,541[58]	$2,795[59]	10.0%
2 Year[49]	$197	$249	26.6%	2 Year[50]	$2,414	$2,655	10.0%
5 Year[49]	$150	$190	26.6%	5 Year[50]	$1,652	$1,817	10.0%
DS1 Interoffice[51]				DS3 Interoffice[51]			
Monthly	$239[52]	$329[56]	37.6%	Monthly	$2,019[57]	$2,375[55]	17.6%
2 Year[49]	$203	$279	37.6%	2 Year[50]	$1,918	$2,257	17.6%
5 Year[49]	$155	$214	37.6%	5 Year[50]	$1,312	$1,544	17.6%
DS1 EEL				DS3 EEL			
Monthly	$470	$622	32.2%	Monthly	$4,560	$5,170	13.4%
2 Year	$400	$529	32.2%	2 Year	$4,332	$4,912	13.4%
5 Year	$306	$404	32.2%	5 Year	$2,964	$3,361	13.4%

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Price Cost Ratio of Monthly Special Access to UNE Cost Estimates[1]

		DS1			DS3		
State	**RBOC**	**Local Channel**	**Interoffice**	**EEL**	**Local Channel**	**Interoffice**	**EEL**
Alabama	BellSouth	2.0	1.9	2.0	7.2	1.7	2.7
Florida	BellSouth	2.4	1.3	1.6	5.8	1.1	1.8
Georgia	BellSouth	3.4	3.3	3.3	8.5	3.3	4.7
Kentucky	BellSouth	1.9	1.2	1.4	7.2	1.0	1.7
Louisiana	BellSouth	2.0	1.6	1.8	6.1	1.4	2.2
Mississippi	BellSouth	2.1	2.0	2.1	6.8	1.8	2.8
North Carolina	BellSouth	2.6	3.7	3.2	9.4	3.4	5.0
South Carolina	BellSouth	2.1	1.5	1.7	2.6	3.3	2.9
Tennessee	BellSouth	3.3	1.5	1.9	6.0	1.4	2.2
Massachusetts	Verizon	3.6	4.9	4.2	2.9	3.9	3.3
New York	Verizon	2.1	3.2	2.6	3.1	2.3	2.7
New Jersey	Verizon	2.6	6.8	4.0	2.8	4.1	3.3
Pennsylvania	Verizon	2.9	4.5	3.6	1.9	2.0	2.0
Maryland	Verizon	2.4	5.4	3.5	2.4	4.4	3.1
Virginia	Verizon	1.8	6.8	3.0	2.0	3.3	2.4
Arkansas	Southwestern	1.5	1.1	1.2	2.4	0.9	1.4
Kansas	Southwestern	3.0	4.9	3.8	2.7	2.9	2.8
Missouri	Southwestern	7.6	1.5	2.5	2.3	0.8	1.2
Oklahoma	Southwestern	1.4	2.2	1.8	1.7	1.3	1.5
Texas	Southwestern	3.9	6.1	4.8	2.8	7.5	4.0
Illinois	Ameritech	9.0	8.7	8.8	6.6	2.7	4.1

1 Ratio calculated comparing price in the lowest priced special access density zone to the lowest cost UNE pricing zone.